

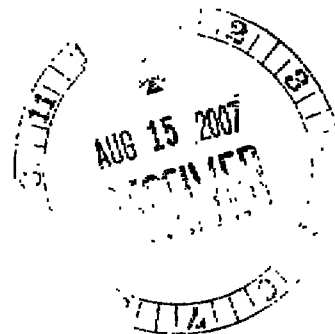
AUG 16 '07

11-30 AM

SURFACE TRANSPORTATION BOARD



Clune & Company LC

Equipment Leasing
Specialists

August 8, 2007

Secretary
Surface Transportation Board
395 E Street SW
Washington, DC 20423-0001

Dear Secretary:

P.O. Box 350

Mission, KS 66201

5950 Roe Avenue

Mission, KS 66205

(913) 498-3000

1-800-862-6633

Fax (913) 498-3001

(888) 862-6601

Enclosed for recordation pursuant to the provisions of 49 USC Section 11301 (a) are (2) two copies of a Lease Agreement of a Locomotive Security Agreement dated July 30, 2007 a primary document as defined in the Board's Rules for the Recordation of Documents.

The names and addresses of the parties to the enclosed document are:

Lender: Clune & Company LC
5950 Roe Ave
Mission, KS 66201

Borrower: Luzerne & Susquehanna Railway Company Inc
25 Delphine Street
Owego, NY 13827

A description of the railroad equipment covered by the enclosed document is: (1) **EMD SW9 1200HP EMD Switching Locomotive R/N BDLX 1201**

A short summary of the document to appear in the index is:
Memorandum of Locomotive Security Agreement

Also enclosed is a check in the amount of \$35.00 payable to the Surface Transportation Board covering the required recordation fee.

Please return a stamped copy of the recordation in the enclosed stamped self-addressed envelope. Your prompt attention is greatly appreciated.

Sincerely,

Diana Barnes
UCC/Documentation Division
Clune & Company LC

clune.net

"Real People.

Real Service.

Since 1957."

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SURFACE TRANSPORTATION BOARD



CLUNE & COMPANY, LC ("Lessor," "We" or "Us") Lease Agreement
 PO Box 350 5950 Roe Ave.
 Mission KS 66201-0350 clune.net Lease # 20 17443
 (913) 498-3000 (800) 862-6633 clune.net
 Fax (913) 498-3001 or 888-862-6601 Start Date 07/30/2007

This lease is non-cancelable. Please read both sides before signing this lease or guaranty. You agree that the Equipment will be Used for commercial purposes and that You have the authority to execute this agreement.

Leasing Customer ("Lessee," "You" or "Your")

Luzerne & Susquehanna Railway Company Inc

25 Delphine Street

Owego, NY 13827

Steve May

Supplier(s)

R.M. Delvan Inc

P.O. Box 791

Pittston, PA 19640

Leased Equipment

EMD 1200 HP Switcher Locomotive

Lease Term	Rental Payment	Down Payment: \$0.00	Renewal terms after initial Lease Term
36 Months	\$1,726.00 Due the 1 st of each month	Documentation Fee: \$150.00 Initial Pym't: \$1,726.00 (1 Payment in advance) Total: \$1,876.00	

Lessor:
CLUNE & COMPANY, LC

Lessee:

Signature X

Steven C. May

Signature X

Cheryl May

Title

Title

I/We ("Guarantor") unconditionally guarantee all of Lessee's obligations according to the terms of this agreement.

X Cheryl May

Cheryl May

(Signature, without title)

X Steven C. May

Steven C. May

(Signature without title)

1. You agree to lease from Us the Equipment described above and in any schedules made a part hereof by Us for the periodic Rental Payment and full Lease Term shown above. The Initial Rental is payable at the time of the signing of this Lease. This document, which includes the provisions on the reverse side and any such schedules, shall constitute the entire agreement between Lessor and Lessee. It may not be altered or modified without our written consent. This lease is non-cancelable for the term stated above.

2. You understand and agree that We make no warranties or representations, express or implied, concerning the Equipment, its fitness for Use or merchantability and that You alone selected both the Supplier and the Equipment. You also acknowledge that We did not manufacture or design the Equipment. You may enforce in Your own name all warranties, which may be made by the Supplier, but this lease cannot be canceled by You for any reason including failure of the Equipment, loss or damage. You understand that We are not a supplier of goods and are not responsible for any maintenance or service and that We are leasing this Equipment to You "as is." Neither the Supplier, nor any Broker, nor any representative of Supplier or Broker, is our agent and no such person is authorized to waive or alter any obligation under this lease.

3. You agree to accept the Equipment if delivered in good working condition and acknowledge that We are not liable for specific performance or damages if the Supplier delays or fails to perform. You authorize Us to insert the Lease # and Starting Date and to make any other necessary corrections or additions in this document.

(See side 2 for additional terms and conditions)

4. You agree to Use the Equipment in the manner for which it is intended, to keep it in good working condition and to keep it free from any liens or encumbrances. You agree to not sell, transfer, dispose, pledge, alter or move the Equipment without our prior written consent. Any changes to the Equipment shall belong to Us. The Equipment shall be deemed to be personal property even if attached to realty. You agree that this lease is a "finance lease" under Article 2A of the Uniform Commercial Code. If it is determined to be a transaction other than a "true lease," You hereby give Us a security interest in the Equipment dating back to the Starting Date. You hereby appoint Us or our agents as attorney-in-fact to sign and file with the US Department of Transportation Surface Transportation Board (STB) financing statements to protect our interest in the Equipment.

5. This lease is based on Your credit so You may not assign, sublet or transfer any interest You have in this lease or Equipment to any other party. You agree that We, along with our Assignee, may assign this lease or Equipment and that any Assignee shall have the same rights and benefits that We have under this lease but not our obligations. The rights of every Assignee will not be subject to any claim, defense or set-off that You may have against Us.

6. You are responsible for and accept all risks of loss and damage to the Equipment. You agree to obtain a general public liability insurance policy and to insure the Equipment against all risks in an amount at least equal to the replacement cost of \$50,000.00 and to list Us as a "loss payee." You agree to replace or repair lost or damaged Equipment and to continue to pay rent. If you do not provide sufficient insurance or proof of same we may at our option insure the Equipment and You agree to pay for the expense of such. We are not liable for any damage to the Equipment or for any losses or injuries related to the Equipment or its Use. You agree to indemnify and defend Us against any claims related to the Equipment or its Use. These promises will continue after this lease ends.

7. You agree to pay a documentation fee, personal property taxes, ad valorem taxes, sales and Use taxes and all other taxes, fees and governmental charges related to this lease and Equipment. You also agree to maintain the equipment in serviceable condition in compliance with the regulations of the Federal Railroad Administration (FRA). If any rental payment is not received within ten days of the due date, You agree to pay, as a late charge, the greater of ten percent of the rental payment or \$29.00, as permitted by law.

8. Default shall occur if You fail to pay any lease payment or other sum when due, if You breach or fail to perform any other obligation under this lease, or if You or Guarantor liquidates, makes an assignment for the benefit of creditors, appoints a trustee or receiver, ceases doing business or file or have filed against You a petition in bankruptcy.

9. Guarantor agrees to pay and perform all of these obligations if the lease is in default within ten days after receipt of notice of default and demand for payment and/or performance. Guarantor consents to personal jurisdiction in Kansas, waives trial by jury and agrees that We may first proceed against the Guarantor without proceeding against the Leasing Customer or the Equipment. Guarantor's liability shall not be affected by an extension or alteration of the lease or by the addition or release of any other Guarantor. If there is more than one Lessee or Guarantor, the liability shall be joint and several.

10. In the event of a default as defined in Paragraph 8 hereof, You shall have a period of twenty (20) days from the date of receipt of Notice of Default to cure the default contained in said notice. In the event that such default is not timely cured, We will have the right to repossess the Equipment and sue You for all past due payments and all payments to be due in the remaining term, interest at the rate of one and one half percent (1 1/2%) monthly or the highest lawful rate whichever shall be lower, and other charges due us including reasonable attorney's fees, collection and legal costs. This Lease is governed by the laws of the State of Kansas and You agree to be subject to suit in Kansas and to waive a trial by jury.

11. You agree to store the Equipment on Your property without charge for sixty (60) calendar days after any termination of this Lease and maintain insurance on the Equipment during that sixty days time. After that time You agree to store the Equipment on Your property at a rate no greater than one dollar (\$1.00) per calendar day for a period not to exceed one hundred twenty (120) calendar days.

12. For Your convenience, We may accept a facsimile or email copy of this lease with Your facsimile signature or email designation and You agree that such will be treated as an original and will be admissible in court as conclusive evidence of this lease. You agree not to change this document without our knowledge and written consent.

Please initial this back page for fax or email

em 11/21/07